

NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE

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SEP 28 2011

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September 22, 2011

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 - 12th Street, S.W.
Washington, D.C. 20554

Karen Majcher
Vice President, High Cost & Low Income Division
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

Re: Certification of Rate Comparability for Non-Rural Carriers Serving in Rural Areas
Pursuant to 47 Code of Federal Regulations § 54.316, CC Docket No. 96-54

Dear Ms. Dortch and Ms. Majcher:

Pursuant to 47 Code of Federal Regulations ("CFR") § 54.316(a), each state is required to certify that residential telephone rates in rural areas of the state that are served by non-rural incumbent local exchange carriers are reasonably comparable to urban rates nationwide, for purposes of section 254(b)(3) of the Telecommunications Act of 1996.

For purposes of this certification, the safe harbor provision of 47 CFR § 54.316(b) allows a state to presume that the residential rates in rural areas served by non-rural incumbent local exchange carriers are reasonably comparable to urban rates nationwide if the rural rates are below the nationwide urban rate benchmark. The nationwide urban benchmark for this upcoming period is the \$36.52.¹ Currently, the residential rates in all areas (urban and rural) of the State of Hawaii ("State") that are served by Hawaiian Telcom, Inc. (fka Verizon Hawaii Inc.), the State's only non-rural incumbent local exchange carrier, are below the nationwide benchmark, as shown on

¹Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service, Industry Analysis & Technology Division, Wireline Competition Bureau, Federal Communications Commission, August 8, 2008 ("Reference Book").

State of Hawaii
Public Utilities Commission
Certification of Rate Comparability
For Non-Rural Carriers Serving in Rural Areas
July 1, 2011

Residential Telephone Rates

| | Oahu | Hawaii | Maui | Kauai | Molokai | Lanai |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Local Exchange Rate | \$ 14.40 | \$ 13.10 | \$ 12.50 | \$ 12.50 | \$ 10.85 | \$ 9.90 |
| Touch Call | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 |
| Intrastate Surcharge (11.23%) | 1.80 | 1.66 | 1.59 | 1.59 | 1.40 | 1.30 |
| PUC Service Fee (.25%) | 0.04 | 0.04 | 0.04 | 0.04 | 0.03 | 0.03 |
| Subtotal | \$ 17.89 | \$ 16.44 | \$ 15.77 | \$ 15.77 | \$ 13.94 | \$ 12.88 |
| Federal Subscriber Line Charge | \$ 6.50 | \$ 6.50 | \$ 6.50 | \$ 6.50 | \$ 6.50 | \$ 6.50 |
| Telecommunications Relay Service Surcharge | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| E911 Surcharge | 0.27 | 0.27 | 0.27 | 0.27 | 0.27 | 0.27 |
| Federal Universal Service Fund Charge | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 |
| Subtotal | \$ 25.65 | \$ 24.20 | \$ 23.53 | \$ 23.53 | \$ 21.70 | \$ 20.64 |
| General Excise Tax (4.712% for Oahu; 4.166% for others) | \$ 0.35 | \$ 0.31 | \$ 0.31 | \$ 0.31 | \$ 0.31 | \$ 0.31 |
| Federal Excise Tax (3%) | \$ 0.77 | \$ 0.73 | \$ 0.71 | \$ 0.71 | \$ 0.65 | \$ 0.62 |
| Total¹ | \$ 26.77 | \$ 25.24 | \$ 24.55 | \$ 24.55 | \$ 22.66 | \$ 21.56 |
| Nationwide Urban Rate Benchmark² | \$36.52 | \$36.52 | \$36.52 | \$36.52 | \$36.52 | \$36.52 |
| Difference | \$ (9.75) | \$ (11.28) | \$ (11.97) | \$ (11.97) | \$ (13.86) | \$ (14.96) |

1. Source: Hawaiian Telcom, Inc. Rates are as of July 1, 2011.

2. Source: FCC Reference Book of Rates, Price Indices, and Expenditures of Telephone Service, 2008